



TOWN of NEW SHOREHAM

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EX PARTE OR LATE FILED

December 12, 2016

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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RE: Notice of Ex Parte Communication, WC Docket Nos. 10-90, 14-58 and 14-259

Dear Secretary Dortch:

The Town of New Shoreham, RI ("Town") is providing comments on two topics sought by the FCC: service tier weighting in the reverse auction process and the equitable distribution of funds to declined states. In addition, we'd like to provide some comments on the integrity of Form 477 data.

Service Tier Weighting: Careful consideration should be taken to the weighting of the service tiers to avoid unintended consequences. Specifically, the Town believes that without deliberate attention to the mechanics of weighting and scoring, the inclusion of very high cost census blocks in the CAF 2 Phase II auction could work counter purpose to the FCC's stated goals.

A graph of the FCC's Phase II auction data helps illustrate the point. Figure 1 below shows that the majority of eligible auction locations fall in the lower model support categories (\$0-\$1,000 per premise/year). The minority of locations are in the higher support categories (\$1,001-\$2,000 per premise/year). As a result, 57% of locations represent just 17% of the total eligible support; conversely, 19% of locations represent 51% of total eligible support.

These distributions are important in the context of the initial cost effectiveness score.¹ Very high cost census blocks (i.e. annual model support of \$1001-\$2000) subject to this calculus will have a very high denominator, and high per premise bids could conceivably shut out lower cost areas under certain weighting schemes.

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¹ Calculated by dividing the per premise requested support (bid) by the per-premise model support and multiplying the quotient by 100.

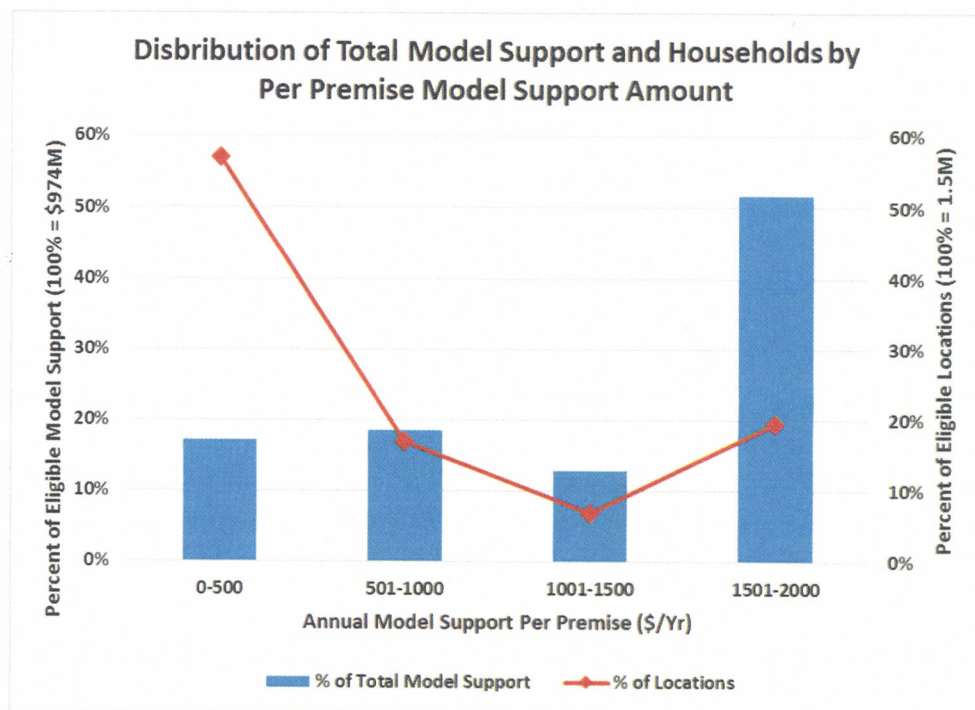


Figure 1

Figure 2 below represents an unweighted scoring across a range of bid and model support values. Two of the bid/model support combinations, with no shading, have equal scores of 40 (\$50 for \$125 model support; and \$700 for \$1750 model support). Areas in green represent better (lower than 40) scores; pink represents worse (higher than 40 scores).

		Bid (\$)							
		50	100	200	300	400	500	600	700
Per Premise Model Support (\$)	125	40	80	-	-	-	-	-	-
	375	13	27	53	80	-	-	-	-
	625	8	16	32	48	64	80	96	-
	875	6	11	23	34	46	57	69	80
	1,125	4	9	18	27	36	44	53	62
	1,375	4	7	15	22	29	36	44	51
	1,625	3	6	12	18	25	31	37	43
	1,750	3	6	11	17	23	29	34	40

Figure 2

Without weighting, it's possible that high bids in very high cost census blocks could consume a disproportionate amount of scarce CAF 2 funds, resulting in fewer universal service locations. This outcome could also hold true under certain weighting schemes.

As an example, we will use the method advocated by Hughes² in contrast to the strawman method outlined in FCC 16-64.³ To simplify the point, we will assume two bids at opposite ends of the cost and bid tiers, with no adjustment for latency.

² Footnote Hughes, FCC ECFS filing ID 109290528505844, 9/29/16

Hughes Proposal (% of Bid)

- Minimum Performance Tier: no adjustment to bid amount
- Gigabit Performance Tier: reduce bid amount by 30%

FCC Strawman (Deduction from Score)

- Minimum Performance Tier: no adjustment to cost effectiveness score
- Gigabit Performance Tier: deduct 30 points from cost effectiveness score

The table in Figure 4 below provides a direct comparison of these different weighting methodologies. The resulting better scores for each methodology is depicted in green, and the worse score in red.

Bid Characteristics			Cost Effectiveness Scores		
Performance Tier	Bid (\$)	Support Amount (\$)	No Weight	Hughes (% of Bid)	FCC Strawman (Deduction from Score)
Minimum	400	1750	$400/1750 \times 100 =$ <u>23</u>	$400/1750 \times 100 =$ <u>23</u>	$400/1750 \times 100 =$ <u>23</u>
Gigabit	50	125	$50/125 \times 100 =$ <u>40</u>	$(50 \times .7)/125 \times 100 =$ <u>28</u>	$50/125 \times 100 - 30 =$ <u>10</u>

Figure 4

As this demonstrates, weighting bids (i.e. changing the denominator), rather than adjusting the entire score may result in better cost effectiveness scores for high bids on lower performance tiers in high model support areas. This would result in a skewed apportionment of funds to a smaller number of locations with high model support numbers (i.e. to the right of Figure 1).

As such, we propose the following weighting scheme to advance the FCC's goal of distributing CAF 2 funds to provide for the optimal mix of performance and cost effectiveness across the population of eligible census blocks (Figures 5 and 6):

Performance Tier	Speed	Usage Allowance	Suggested Scoring
Minimum	$\geq 10/1$ Mbps	≥ 150 GB	0 points
Baseline	$\geq 25/3$ Mbps	≥ 150 GB or U.S. median, whichever is higher	- 10 points
Above Baseline	$\geq 100/20$ Mbps	Unlimited	- 30 points
Gigabit	≥ 1 Gbps/500 Mbps	Unlimited	-50 points

Figure 5

Latency	Requirement	Suggested Scoring
Low Latency	≤ 100 ms	0 points
High Latency	≤ 750 ms & MOS of ≥ 4	+10 points

Figure 6

³ May 2016 Report and Order and Further Notice of Proposed Rulemaking. Paras 209-210.

Distribution of Funds to Declined States

The Town applauds the FCC's recognition that Phase II should ensure that declined states receive all or substantially all of the funds declined by the incumbent carrier. Most of New Shoreham's census blocks were eligible for Phase II funding,⁴ and the incumbent Verizon declined all Phase II funds in New Shoreham and in the State of Rhode Island.

The Town believes that the best way to ensure that states receive substantially all the funds declined by their incumbent carriers is to determine each state's pro-rata share of the available \$215 million based on the per state percentage of total declined funds. Awards would be made in each state up to the ceiling of the state's pro-rata share. Any per-state shortfall would be added to a nationwide pool of funds that would be awarded by cost effectiveness score, regardless of geography.

This auction procedure would ensure an equitable distribution of Phase II funds while rewarding nationally competitive bids that reflect a meaningful commitment to advance broadband.

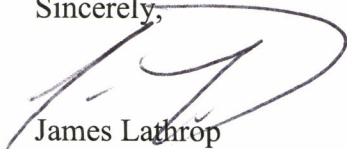
Additional Comment on 477 Data

Current Form 477 data for the Town is inaccurate, and the inaccuracies are recent. They occur on Form 477s used in CAF 2 after the publishing of the Phase II Final Eligible Areas Map, which were based on the more accurate State Broadband Initiative data. The net result is that most of the census blocks that were initially eligible for incumbent support are not ineligible for competitor support in the Phase II auction.

The current Phase II Auction Map that is based on June 20, 2015 Form 477 data shows most of the town is served,⁵ while in reality it is entirely unserved by the current 10 Mbps/1 Mbps standard and almost entirely unserved by the initial Phase II standard of 3 Mbps/768 Kbps. The only exception to all parts of the town being below the 3Mbps standard is the local school, which has just a 3 Mbps download connection. Recent Form 477 data for the school's census block erroneously indicate an offering of 200 Mbps download speed, more than 66 times what is actually available.⁶ The remaining served designations are based on Form 477 data filed from Verizon, which shows 15 Mbps download for most of the island. This is clearly inaccurate; Verizon offers a maximum of 768kpbs download throughout the island. This can be confirmed by qualifying locations through the island on Verizon's website.⁷

A small town like New Shoreham does not have the resources to contest the 477 Data. However, any efforts made by the FCC to improve the integrity of the Form 477 prior to determining the final eligible regulatory intent areas would help to ensure that the Phase II auction reaches unserved communities and achieves its regulatory intent.

Sincerely,



James Lathrop
Town Manager

⁴ In addition, the entire town was under the speed threshold: <https://www.fcc.gov/reports-research/maps/fcc-connect-america-phase-ii-final-eligible-areas-map/>. Downloaded on 11/27/2016.

⁵ <https://www.fcc.gov/general/broadband-deployment-data-fcc-form-477>. December 15 Form 477 data, downloaded on 12/5/2016

⁶ *ibid.*

⁷ <http://www.verizon.com/home/highspeedinternet/#plans>